LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 6907 **NOTE PREPARED:** May 5, 2003
BILL NUMBER: HB 1811 **BILL AMENDED:** Apr 10, 2003

SUBJECT: Various Tax Matters.

FIRST AUTHOR: Rep. Crawford **BILL STATUS:** Enrolled
FIRST SPONSOR: Sen. Borst

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: This bill contains the following provisions:

This bill prohibits the state from purchasing supplies or services from a business that is delinquent in payment of sales tax. It also provides that out-of-state businesses that do business with the state are to be treated as if they are located in Indiana for purposes of collecting and remitting the sales tax.

The bill requires the filing of an amended Indiana return when modifications in a taxpayer's federal return results in a change in the taxpayer's adjusted gross income.

It eliminates a requirement that a withholding agent that makes electronic adjusted gross income deposits file a quarterly return.

The bill expands the penalties applicable to a person who does not register an aircraft and pay applicable gross retail taxes.

The bill eliminates the requirement that the Department of State Revenue collect vehicle identification information on a tax return.

It allows the Department of State Revenue to remove a person who is not liable for unpaid tax from an assessment notice. The bill indicates that the limitation period on the issuance of an assessment does not apply to an assessment reissued to the persons liable for the tax.

The bill gives a county fiscal officer conducting an investigation relating to the Innkeeper's Tax, Food and Beverage Tax, or Admissions Tax concurrent jurisdiction with the Department of State Revenue and the audit, investigatory, appraisal, and enforcement powers of the Department, and authorizes the county fiscal officer to recover related court costs, fees, and expenses.

It also authorizes certain cities to impose an admissions tax upon the price of admissions to certain entertainment facilities.

The bill repeals an obsolete law granting an expired Investment Credit and a criminal penalty for failure to provide motor vehicle information to the Department of State Revenue.

Effective Date: July 1, 2003; July 1, 2004.

Explanation of State Expenditures: *Department of State Revenue:* It is presumed that the Department could absorb any additional costs associated with this proposal.

Collection of the Sales Tax by Out-of-State Vendors: This provision changes that eligibility requirements of persons wishing to contract to sell property or services to state agencies and educational institutions. The bill requires eligible vendors to obtain a registered retail merchant certificate from the Department of State Revenue and to be timely in the remittance of sales tax collections owed to the state under IC 6-2.5.

The provision also requires the Department of Administration and other purchasing agents for state agencies and state educational institutions to provide the Department of State Revenue with a list of persons wishing to enter into a contract to sell property or services to a state agency or educational institution. The Department of Revenue, in turn, is required to notify the Department of Administration or the purchasing agents of the vendors on the list who do not have a registered retail merchant certificate or who is delinquent in remitting paying the state's sales tax. This provision could have a minimal impact on the workload of purchasing agents, the Department of Administration, and the Department of State Revenue. However, it is presumed that any impact could be absorbed using existing staff and resources.

Explanation of State Revenues: *Collection of the Sales Tax by Out-of-State Vendors:* This bill would prohibit a vendor from selling or leasing property, supplies, or services to any state agency and state educational institutions unless the vendor obtains a registered retail merchant certificate from Department of State Revenue (DOR) and is not delinquent in the remitting sales taxes. By registering, a vendor agrees to collect the state's sales tax on taxable transactions made with Indiana consumers. Under current law, firms located outside of the state are under no legal obligation to collect taxes owed by Indiana residents. Indiana residents who purchase goods from out-of-state firms are responsible for paying Indiana's Use Tax. This provision will have an indeterminable positive impact on state sales tax revenue. The impact of this proposal will be contingent upon the number of potential out-of-state vendors that register with the DOR and the volume of taxable sales that vendors and other merchants have with Indiana residents in which the sales tax is not collected or remitted.

Explanation of Local Expenditures: *Entertainment Facility Admissions Tax*: The city fiscal officer of a city adopting the tax would be required to establish the City Ticket Tax Fund.

Explanation of Local Revenues: *Entertainment Facility Admissions Tax*: The bill would allow a city with an annexed outdoor entertainment facility that has a minimum capacity of at least 10,000 persons and has been annexed by the city to levy a $0.50 tax on paying customers entering the facility. Based on the last three to four years of attendance at the Verizon Wireless Center in Noblesville, the tax could generate approximately $200,000 in a full calendar year of implementation from patrons to that facility.

Events involving the following are exempt: educational institutions, religious organizations, charitable organizations under Internal Revenue Service guidelines, political organizations, events where tickets are sold on a per-vehicle or similar basis and not on a per-person basis.

If the fiscal body of the city adopts an ordinance the tax would be effective after December 31 of the year the ordinance was adopted or a later date described in the ordinance. Revenue from the tax could be used for the following purposes: Construction, reconstruction or improvement of public thoroughfares or highways into and out of the facility; payment on bonds issued to finance such construction; and payment of any access or connection fee imposed on the facility for access to the city's public sewer system.

The tax would terminate after the city has paid all outstanding obligations incurred under the above. Revenue would be collected and remitted monthly (not more than twenty days after the end of the month in which a taxable event occurred) by the facility to the city fiscal officer.

Interest earned on the investment of money in the City Ticket Tax Fund becomes revenue to the fund.

County Treasurers: The bill clarifies state law and allows county fiscal officers to recover court costs, fees, and other expenses related to an audit, investigatory, appraisal, or enforcement action related to Innkeeper's Tax, Food and Beverage Tax, or Admissions Tax investigations.

Background: There are 66 entities in Indiana that have either adopted the Innkeeper's Tax, Food and Beverage Tax, Admissions Tax, or any combination of these taxes. The total amount of these taxes collected in FY 2002 was $76.3 M.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: City of Noblesville; Local Entities with the Innkeeper's Tax, Food and Beverage Tax, or Admissions Tax.

Information Sources: Tom Conley, Department of State Revenue, 232-2107; Andy Wilson, Clear Channel Entertainment, 317-249-2710; www.hccvb.org.

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